



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region IX  
90 – 7<sup>th</sup> Street, Suite 3-650  
San Francisco, CA 94103

February 27, 2012

Report Number: A-09-11-02071

Ms. Lori Beausoleil  
Director, Patient Financial Services  
NorthBay Medical Center  
4500 Business Center Drive  
Fairfield, CA 94534

Dear Ms. Beausoleil:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Medicare Outpatient Billing for Selected Drugs at NorthBay Medical Center*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to contact Tom Lin, Senior Auditor, at (415) 437-8360 or through email at [Tom.Lin@oig.hhs.gov](mailto:Tom.Lin@oig.hhs.gov), or contact Alice Norwood, Audit Manager, at (415) 437-8360 or through email at [Alice.Norwood@oig.hhs.gov](mailto:Alice.Norwood@oig.hhs.gov). Please refer to report number A-09-11-02071 in all correspondence.

Sincerely,

/Lori A. Ahlstrand/  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Ms. Nanette Foster Reilly  
Consortium Administrator  
Consortium for Financial Management & Fee for Service Operations  
Centers for Medicare & Medicaid Services  
601 East 12<sup>th</sup> Street, Room 235  
Kansas City, MO 64106

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF MEDICARE  
OUTPATIENT BILLING FOR  
SELECTED DRUGS AT  
NORTHBAY MEDICAL CENTER**



Daniel R. Levinson  
Inspector General

February 2012  
A-09-11-02071

# *Office of Inspector General*

<http://oig.hhs.gov>

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## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Pursuant to Title XVIII of the Social Security Act, the Medicare program provides health insurance for people aged 65 and over and those who are disabled or have permanent kidney disease. The Centers for Medicare & Medicaid Services administers the program.

Medicare guidance requires providers to submit accurate claims for outpatient services. Each submitted Medicare claim contains detail regarding each provided service (called a line item in this report). Providers should use the appropriate Healthcare Common Procedure Coding System (HCPCS) codes and report units of service as the number of times that a service or procedure was performed or, if the HCPCS code is associated with a drug, the number of units administered.

NorthBay Medical Center (NorthBay) is an acute-care hospital located in Fairfield, California. Based on data analysis, we reviewed \$147,149 in Medicare payments to NorthBay for 121 line items for injections of selected drugs that NorthBay billed to Medicare during our audit period (March 1, 2008, through April 30, 2011). These line items consisted of injections for adenosine, doxorubicin hydrochloride liposome, and alteplase recombinant.

### **OBJECTIVE**

Our objective was to determine whether NorthBay billed Medicare for injections of selected drugs in accordance with Federal requirements.

### **SUMMARY OF FINDINGS**

For 99 of the 121 line items reviewed, NorthBay did not bill Medicare in accordance with Federal requirements. Specifically, for 99 line items, NorthBay billed the incorrect number of units of service. As a result, NorthBay received overpayments totaling \$69,989. NorthBay attributed the overpayments to a hospital billing system error and human error.

### **RECOMMENDATIONS**

We recommend that NorthBay:

- refund to the Medicare administrative contractor \$69,989 in identified overpayments and
- ensure compliance with Medicare billing requirements.

### **NORTHBAY MEDICAL CENTER COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, NorthBay concurred with our findings. NorthBay provided information on actions taken to refund the identified overpayments but did not address

our second recommendation. NorthBay's comments are included in their entirety as the Appendix.

We continue to recommend that NorthBay take steps to ensure compliance with Medicare billing requirements.

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# INTRODUCTION

## BACKGROUND

Pursuant to Title XVIII of the Social Security Act (the Act), the Medicare program provides health insurance for people aged 65 and over and those who are disabled or have permanent kidney disease. The Centers for Medicare & Medicaid Services (CMS) administers the program.

### Medicare Requirements for Outpatient Claims

Medicare guidance requires providers to submit accurate claims for outpatient services. Each submitted Medicare claim contains detail regarding each provided service (called a line item in this report). Providers should use the appropriate Healthcare Common Procedure Coding System (HCPCS) codes and report units of service as the number of times that a service or procedure was performed or, if the HCPCS code is associated with a drug, the number of units administered.<sup>1</sup>

### Selected Drugs

The drugs we reviewed in this audit were adenosine, doxorubicin hydrochloride (HCl) liposome, and alteplase recombinant.

#### *Adenosine*

Adenosine is an injectable drug used for treating a certain type of irregular heartbeat. Medicare requires providers to bill one service unit for each 30-milligram injection of adenosine. The HCPCS code for this drug is J0152 and is described as “Injection, adenosine for diagnostic use, 30 [milligrams].”

#### *Doxorubicin Hydrochloride Liposome*

Doxorubicin HCl liposome is an injectable drug used to treat metastatic ovarian cancer and AIDS-related Kaposi’s sarcoma. Medicare requires providers to bill one service unit for each 10-milligram injection of doxorubicin HCl liposome. The HCPCS code for this drug is J9001 and is described as “Injection, doxorubicin hydrochloride, all lipid formulations, 10 [milligrams].”

#### *Alteplase Recombinant*

Alteplase recombinant is an injectable drug used to dissolve blood clots that have formed in the blood vessels and is used immediately after symptoms of a heart attack or stroke and to treat blood clots in the lungs. Medicare requires providers to bill one service unit for each 1-milligram injection of alteplase recombinant. The HCPCS code for this drug is J2997 and is described as “Injection, alteplase recombinant, 1 [milligram].”

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<sup>1</sup> HCPCS codes are used throughout the health care industry to standardize coding for medical procedures, services, products, and supplies.

## **NorthBay Medical Center**

NorthBay Medical Center (NorthBay) is an acute-care hospital located in Fairfield, California. NorthBay's claims are processed and paid by Palmetto GBA, LLC, the Medicare administrative contractor.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether NorthBay billed Medicare for injections of selected drugs in accordance with Federal requirements.

### **Scope**

We reviewed \$147,149 in Medicare payments to NorthBay for 121 line items that we judgmentally selected as potentially at risk for billing errors during our audit period (March 1, 2008, through April 30, 2011). These line items consisted of:

- 90 line items for adenosine totaling \$81,878,
- 28 line items for doxorubicin HCl liposome totaling \$56,389, and
- 3 line items for alteplase recombinant totaling \$8,882.<sup>2</sup>

We identified these payments through data analysis.

We did not review NorthBay's internal controls applicable to the 121 line items because our objective did not require an understanding of controls over the submission of claims. Our review allowed us to establish reasonable assurance of the authenticity and accuracy of the data obtained from the National Claims History file for our audit period, but we did not assess the completeness of the file.

We conducted our audit from April to November 2011. Our fieldwork included contacting NorthBay, located in Fairfield, California.

### **Methodology**

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;

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<sup>2</sup> For the three line items for alteplase recombinant, NorthBay billed Medicare in accordance with Federal requirements.

- used CMS’s National Claims History file to identify paid Medicare claims for adenosine, doxorubicin HCl liposome, and alteplase recombinant during our audit period;
- used computer matching, data mining, and analysis techniques to identify line items potentially at risk for noncompliance with Medicare billing requirements;
- identified 121 line items totaling \$147,149 that Medicare paid to NorthBay;
- contacted NorthBay to determine whether the information conveyed in the selected line items was correct and, if not, why the information was incorrect;
- reviewed documentation that NorthBay furnished to verify whether each selected line item was billed correctly;
- calculated overpayments using corrected payment information; and
- discussed the results of our review with NorthBay.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **FINDINGS AND RECOMMENDATIONS**

For 99 of the 121 line items reviewed, NorthBay did not bill Medicare in accordance with Federal requirements. Specifically, for 99 line items, NorthBay billed the incorrect number of units of service. As a result, NorthBay received overpayments totaling \$69,989. NorthBay attributed the overpayments to a hospital billing system error and human error.

### **FEDERAL REQUIREMENTS**

Section 9343(g) of the Omnibus Budget Reconciliation Act of 1986, P.L. No. 99-509, requires hospitals to report claims for outpatient services using HCPCS codes.

Section 1833(e) of the Act states: “No payment shall be made to any provider of services ... unless there has been furnished such information as may be necessary in order to determine the amounts due such provider ... for the period with respect to which the amounts are being paid ....”

CMS’s *Medicare Claims Processing Manual*, Pub. No. 100-04 (the Manual), chapter 4, section 20.4, states: “The definition of service units ... is the number of times the service or procedure being reported was performed.”

The Manual, chapter 17, section 90.2.A, states: “It is ... of great importance that hospitals billing for [drugs] make certain that the reported units of service of the reported HCPCS code are consistent with the quantity of a drug ... that was used in the care of the patient.” If the provider is billing for a drug, according to chapter 17, section 70, of the Manual, “[w]here HCPCS is required, units are entered in multiples of the units shown in the HCPCS narrative description. For example, if the description for the code is 50 mg, and 200 mg are provided, units are shown as 4 ....”

Chapter 1, section 80.3.2.2, of the Manual states: “In order to be processed correctly and promptly, a bill must be completed accurately.”

## **INCORRECT BILLING**

For 99 line items reviewed, NorthBay billed Medicare for the incorrect number of units of service:

- For the 90 line items for adenosine, NorthBay billed the incorrect number of units of service. Rather than billing 3 or 6 service units, NorthBay billed 15 or 30 service units, respectively. The incorrect billing resulted in overpayments totaling \$65,665.
- For nine line items for doxorubicin HCl liposome, NorthBay billed the incorrect number of units of service. Rather than billing from 4 to 7 service units, NorthBay billed from 5 to 10 service units, resulting in overpayments totaling \$4,324.

In total, NorthBay received overpayments of \$69,989. NorthBay attributed the overpayments to a hospital billing system error and human error.

## **RECOMMENDATIONS**

We recommend that NorthBay:

- refund to the Medicare administrative contractor \$69,989 in identified overpayments and
- ensure compliance with Medicare billing requirements.

## **NORTHBAY MEDICAL CENTER COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, NorthBay concurred with our findings. NorthBay provided information on actions taken to refund the identified overpayments but did not address our second recommendation. NorthBay’s comments are included in their entirety as the Appendix.

We continue to recommend that NorthBay take steps to ensure compliance with Medicare billing requirements.

# **APPENDIX**

## APPENDIX: NORTHBAY MEDICAL CENTER COMMENTS



February 3, 2012

Lori Ahlstrand  
Regional Inspector General for Audit Services  
Office of Audit Services, Region IX  
90-7<sup>th</sup> Street, Suite 3-650  
San Francisco, CA 94103

Ms. Ahlstrand,

This letter is written in response to the draft report # A-09-11-02071. I have reviewed the report and concur with the findings within the report that relate to our audit of adenosine and doxorubicin.

The audit included 121 line items, 99 of which contained incorrect values for the units of service. The units of service have been adjusted and corrected claims have been sent to Medicare. These corrections resulted in refunds to Medicare in the amount of \$69,989 as noted on the report.

Please feel free to contact me directly if you have further questions.

Sincerely,

A handwritten signature in cursive script that reads "Lori Beausoleil".

Lori Beausoleil  
Director, Patient Financial Services  
NorthBay Healthcare

*Compassionate Care,  
Advanced Medicine,  
Close to Home*

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